

ABSTRACT

SHARP SELL-OFFS INDICATE DISTRIBUTION; MARKETS SUFFER MAJOR DECLINE, SUGGEST A DOWNTREND MAY BE COMING. INDEX MAKES LOWER HIGHS; GO SHORT IN NIFTY WITH STOP ABOVE 8750; BANK NIFTY REMAINS A SELL.

A big decline came today in Bank Nifty. The index is now trading near its support at 18500. PSU Banks are underperforming and giving us a shorting opportunity. CNX IT is trading inside a tight range from last 9 trading days. We may see a directional move soon in this sector.

We have FINANCIAL in Sector Focus. Trend is sideways in this sector. We will discuss the current scenario of FINANCIAL Stocks. Stock in focus includes BATA INDIA, CESC, DIVISLAB and ORIENT BANK. For each of these stocks, we analyse their technical picture; identify trades with stop loss and targets. We track GOLD, SILVER and EURINR today.

MARKETS TODAY

Nifty saw a volatile day where it started the session at 8749.45 with a delightful (for the bulls!) gap up of 64 points. It went up to touch a high of 8788.20 initially and then started declining lower. Steady decline throughout the day took index to the day's low at 8614.65. Nifty could not recover at all, finally closing the session at its lows, with the close at 8634.65 – a decline of 51.25 points. Nifty traded in a wide range of nearly 174 points. Among the major indices, CNX PHARMA was the only sectorial index to close in minor gains while CNX BANK (-1.76), CNX FMCG were the drags of the market. Market breadth was negative today with 350 rising and 797 declining shares on the NSE.

TRADING

It was third occasion in this month when Nifty opened with a big gap and then could not sustain at higher levels and finally closed at day's low. Intraday price action was again very disappointing for the bulls as Nifty fell nearly 2% from day's high. After the sharp selloff in last hour now bears seem to have gained the upper hand in this market.

On the daily charts Nifty is now on the lower end of the range of 8600-8620 after testing the upper end i.e. 8750-8000. Now if Nifty breaks the lower end of this range and sustains below 8600 level then it may go as low as 8470 sooner. On the upside Nifty may face resistance at 8730, 8785 and 8850 level.

With today's price action we are more convinced than before that this market is not willing to go higher at present. This market is now falling on good news which is a sign of distribution. As discussed earlier too the weight of evidence is shifting towards the downside with the major indices Nifty, Bank Nifty and CNX IT making lower tops and lower bottoms on the hourly charts. So there is no long trade as of now and instead traders should look for shorting opportunities only.

WHAT TO DO TOMORROW?

Trade in this market presently is on the short side only. The entry location will depend on the tactics of the individual trader. After such decline, market may attempt a relief rally a failure of which will be a shorting opportunity. Nifty sustaining below today's low will be another signal to go short.

In this section of yesterday's newsletter we had warned traders-“Be extra cautious if it is a breakout above 8750-8800 as recent 2 gap breaks had failed.” This warning proved to be useful today. Now for tomorrow traders should look for shorting opportunities only as long as Nifty is below 8750 preferably on failure of intraday rallies but if the markets do not oblige us then start 'accumulating' short positions if Nifty sustains below 8600.

ACTIVE INVESTING

This is not an opportune time for active investing. We need to wait for markets to stabilize, and then identify momentum stocks.

NIFTY WATCH

Market direction, after a fair amount of choppiness, is down. The Nifty and the Bank Nifty closed with losses. Until we get a buy signal on the chart, we will assume that the short-term trend is down, while the intermediate trend is also down.

For most traders and all investors, a falling market offers little opportunities: More so when the decline is a correction in a bull market.

Short selling is possible with a wide stop, just above 8750. This is a high-risk trade. Nifty support comes around 8600. Stay away or go short with lower volumes.

Daily ranges are fairly large, suggesting that volatility continues. If, tomorrow sees a large move in either direction, it simply means that volatile conditions continue. A change of trend is unlikely while these ranges remain big. The short-term downtrend is likely to persist until we see range contraction.

3 PM Syndrome

Market is declining after 3 pm from last few sessions. Market makes a habit of seeing a decline in last half an hour. Bulls must now be dreading the 3 PM clock!!

Short Term

Short-term trend for the Nifty is down. Traders may look for shorting opportunities as long as the index stays below 8750 levels. The method is to sell on intraday rallies.

Intermediate Term

We are bearish for the intermediate term too and advise traders to hold their short positions, if any, with a stop just above the 8750 level in the cash index (On a closing basis).

STOCK MARKET – SPOT PRICE (NIFTY: 8622.90, SENSEX: 28,469.67)



TAKING A SWING TRADE

Rules in swing trading

We had suggested four trades in our newsletter dated 10 March 2015. Trade was to go long in all four stocks i.e., ASHOKLEY, AUROPHARMA, RECLTD, and SIEMENS.

We have achieved our target in SIEMENS and stopped out from AUROPHARMA, RECLTD. Trade did not execute in ASHOKLEY. We have gained from one and lost to two trades. The ratio of profitability in swing trade is 2:1. Therefore, we are at breakeven point, as target price is double from our stop loss.

Swing trading can be a great way to profit from market upswings and downswings, but it is not easy at all. Mastering swing-trading techniques takes considerable time and effort. Following are some rules, which help in mastering swing trading.

RULE 1

Buy the first pull back from a new high. Sell the first pullback from a new low. Trends often test the last support/resistance before taking off.

RULE 2

Buy at support. Sell at resistance. Trend has only two choices upon reaching a barrier: continue forward or reverse. Get it right and start counting your money.

RULE 3

Short rallies, not selloffs. Short-sellers cover profitable trades into market declines, so that is the worst time to enter new positions. Wait until these sellers get squeezed and shaken out, and then jump on board while no one is watching.

RULE 4

Manage time as efficiently as price. Time is money in this market. Know your holding period for every trade and watch the clock to become a market survivor.

METALS WATCH

METAL	CURRENT PATTERN (if any)	TIME FRAME	TRADE			PREVIOUS PATTERN	TIME FRAME
			ENTRY PRICE	STOP	TARGET		
GOLD MINI	Trading Range inside 25600 - 26000	EOD	NA	NA	NA	NA	NA
SILVER MINI	Trading Range inside 35000 - 36100	EOD	NA	NA	NA	NA	NA

IT IS ABOUT BANKS! [Bank Nifty (Spot Price): 18754.50]

A big decline came today in Bank Nifty and the index closed below 19000. Support comes at 18500 whereas resistance comes at 19500. Prices are now trading near its support level. A close below this support will give us a shorting opportunity in Bank Index. PSU Banks are underperforming in Banking Sector and giving us a shorting opportunity. Give Preference to ALBK, BANKINDIA, ORIENT BANK and UNION BANK in this sector for a short trade.



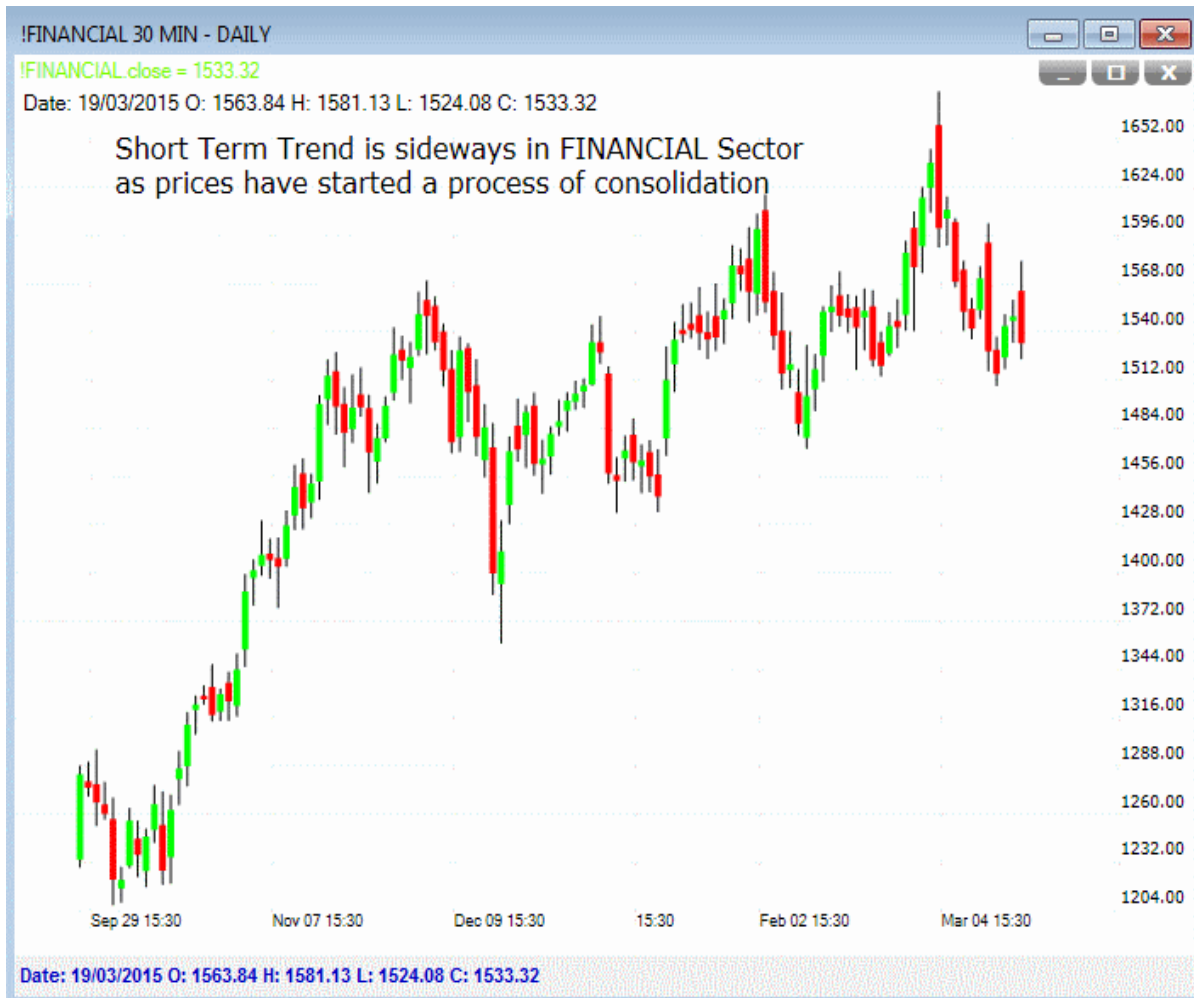
IT WATCH [CNX IT (Future Price): 12320]

CNX IT traded choppy and narrow today. The index closed lower. From the last 9 trading days price are trading inside a tight range of about 275 points. This narrow price action tells us that sooner or later we may see a big directional move in this sector. Look for a buying if index closes above 12550. As far prices trading inside the support and resistance levels, we should avoid trading in this sector.



SECTOR FOCUS [FINANCIAL]

Short Term Trend is now sideways in FINANCIAL Sector. Prices have seen a breakout from a resistance and then came back. The sector has begun a process of consolidation. We should avoid trading in this sector and wait for a clear direction. Almost all the financial stocks are consolidating and trading inside a range. These stocks are not offering any trading opportunity as of now. We should avoid trading in this sector.



SWING TRADES

“Trades which last from few days to a week or more”

Charts and levels discussed are for equity instruments. If you trade the corresponding futures, please track the levels on the equity and take appropriate positions on futures.

BATAINDIA – [Close (Spot Price): 1168] – SELL

Trend is down in BATAINDIA. Prices are declining and making lower highs and lower lows. A bearish flag has seen a breakdown suggest lower levels are ahead. Sell this stock below 1160. If this trade executes then place your stop just above 1180 with a target near 1120.



CESC – [Close (Spot Price): 592.40] – SELL

Trend is down in CESC. Prices have seen a sharp decline and went into a trading range. Prices are narrowing day by day inside this range and now at the verge of breakdown. Sell this stock below 590. If this trade executes then place your stop just above 600 and a target near 570.



DIVISLAB – [Close (Spot Price): 1835.90] – BUY

Trend is up in DIVISLAB. The stock has been trading choppy and narrow. This narrow range broken on upside and prices closes higher. We may see an upside rally here. Buy this stock above 1860. If this trade executes then place your stop just below 1820 and a target near 1940.



ORIENTBANK – [Close (Spot Price): 225.70] – SELL

Trend is down in ORIENTBANK. Prices have seen a sharp decline and went into a trading range. This range has seen a breakdown and prices closed below to its support at 230. Sell this stock below 225. If this trade executes then place your stop just above 230 and a target near 215.



CURRENCY TRACKER

SCRIPT	CURRENT PATTERN (if any)	TIME FRAME	TRADE			PREVIOUS PATTERN	TIME FRAME
			ENTRY PRICE	STOP	TARGET		
EURINR	Trading Range inside 66.20 – 67.60	EOD	NA	NA	NA	NA	NA

Final Words

Trade in this market presently is on the short side only. The entry location will depend on the tactics of the individual trader.

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